TRENDS

Second annual Drug Store News *store management survey*

Store managers, operations execs not always in sync

Store managers get "very involved" in . . .

(Percentage of respondents agreeing)

	HQ operations executives	Store managers
Merchandising endcaps	67.0%	72.0%
Merchandising checkstands	25.0	53.8
Merchandising OTC/Rx	25.0	15.4
Developing overall store planogram	00.0	32.1

Source: *Drug Store News* survey

Store managers change product facings and positions more often than headquarters execs think they should

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can change at own discretion	41.7%	59.3%
Must check with headquarters first	50.0	25.9
No changes allowed at all	8.3	14.8

Source: *Drug Store News* survey

Store managers change prices less often than headquarters execs think they should

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can change prices at own discretion	25.0%	11.1%
Must check with headquarters first	50.0	44.4
Managers can make no changes at all	25.0	44.4

. . . and generally disagree on why price changes might be needed

(Asked of "check first" group)

	Operations execs	Store managers
To meet prices of local competition	37.5%	62.5%
To "push" an overstocked brand or product	37.5	18.8
To attract customers	25.0	18.8

Source: *Drug Store News* survey

Store managers and headquarters disagree on who determines size of store-level full-time staff

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can staff as they deem appropriate	9.1%	44.0%
Joint decision between store managers and regional or headquarters execs	72.7	52.0
Regional or chain decision alone	18.2	04.0

. . . and part-time staff

	Operations execs	Store managers
Store managers alone	9.1%	46.2%
Joint decision	72.7	50.0
Regional or headquarters alone	18.2	03.9

Source: *Drug Store News* survey

Just what is the job of a store manager? As this year's *Drug Store News* survey on the role of store managers shows, the answer depends on whom you ask.

Compiled in late August, the second annual study points up clearly that store managers often have a different perception of what their job limits are than do their ultimate bosses at headquarters, the operations executives who set policy. For the second year, the study reveals a lot of gray area between the company policy set by headquarters and the way that policy is interpreted by store-level people on the front lines.

The survey points up some startling divergence of opinion, often among store-level and headquarters people in the same company. For instance, nearly one-third of the store managers in the survey say they get "very involved" in developing overall planograms for the store, and 53.8 percent of them say they are very involved with checkstand merchandising.

Compare their responses with those of the operations executives at headquarters who answered the same questions about their store managers. Not one of them agreed that their store people get much involved with planograming, and only one in four said the store managers had input into merchandising checkstands. Someone, it seems, is misinformed.

A majority of store managers — 59.3 percent of those polled — also feel they can change product facings and positions at their own discretion, and only 25.9 percent of them say they must check with headquarters first. This may come as news to some operations execs, half of whom said the managers must check with them first before shifting product around.

There is also disagreement about staffing: 44 percent of store managers felt they can staff their stores as they deem appropriate, while only 9.1 percent of the operations execs agreed with them.

While all this may give operations people a second helping of the jitters — the findings, after all, indicate the same kind of perception gap between headquarters and the field as did last year's study — the results have a silver lining. The survey underscores a growing desire for greater decision-making autonomy by store managers, a desire to take greater responsibility for the businesses they run. That desire is a healthy one for the business, as any operations exec will likely attest.

Certainly, both groups of respondents agree that store-level autonomy has grown in the past two years, and majorities in both groups predict the trend will continue over the next couple of years as more decisions are shifted out to the field. There are a variety of reasons for this shift, including the growth of retail technology and other management tools; the growing flexibility of modern inventory control systems; and, in the words of retail analyst Kim Walin of Prudential-Bache, the recognition that "you have to compete locally."

Drug chains around the country are putting that maxim into practice. At Perry Drug Stores, for instance, the chain has sparked a revitalization by shifting its whole corporate philosophy around, according to senior vp-store operations Gary Allen. Much of the decision-making has been moved out to the front lines, and a generous and clearly defined bonus program provides the impetus.

"The whole thing has turned around, where stores now pull merchandise instead of us pushing it, and headquarters now acts as a service to the stores," Allen said.

"The business is a lot more exciting now, with a different philosophy and more decision-making by management," agreed Perry district manager Martie Karr. "There's more work to be done in the stores now, but the work is much more organized and easier to accomplish."

The shift has also been underway at Revco, where managers can now change planograms to meet local conditions after their DMs inform headquarters merchandisers. "The

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Note: The identity of survey respondents is confidential information. The executives quoted in our coverage were interviewed separately to augment the survey's findings. —Ed.

Creative displays earn rewards for store managers and staff

(Percentage of respondents)

	Total headquarters	Store managers
Bonus incentive from headquarters	50.0%	41.0%
Recognition in a company newsletter, store sign or ad	25.0	30.8
Bonus incentive from manufacturer	25.0	25.6
Time off with pay	00.0	02.6

Source: *Drug Store News* survey

Store managers enjoy greater autonomy since 1987

(Percentage agreeing)

Operations execs 75.0%
Store managers 76.9

. . . and should have more through 1992

Operations execs 67.0%
Store managers 60.0

Source: *Drug Store News* survey

Methodology of the study

This exclusive *Drug Store News* study on the role of store managers was undertaken to explore their overall autonomy and decision making authority at many of the nation's largest drug chains.

Questions also focused on perceptual differences between store managers, and their directors and vice presidents of operations, regarding the degree of independence at store level.

Telephone interviews were conducted in late summer. Thirty-seven interviews made up the study. These included 12 vps or directors of operations, and, for each headquarters respondent, at least two different store managers of the same drug chain, adding 25 store manager interviews.

In all, 12 chains among the 100 highest volume operators in the U.S., are represented in the study.

Store managers, ops execs out of sync?

Continued from page 10

demographics of our markets vary greatly, so we've got to have somebody at the store level who can make decisions," said a Revco insider. "We recognize the need for a higher level of management in the stores, and we're looking for business people to run them. We're evolving to non-registered [non-pharmacist] store managers. . . because the pharmacist has his or her hands full. We set out guidelines for the managers, and give them all the management reports we can to help them do their jobs."

At American Stores' American Drug Stores division, a shift in decision-making has been outgoing to the stores for the past year under chairman Dick Scott, a former Longs executive. "Scott gave us a straightforward mission: to bring the customer the highest possible level of satisfaction, whatever it takes," said vp-administration, general counsel and secretary Alan Barker. "The freedom our store managers have. . . gives them a feeling of store ownership. In large part, they make the decisions."

The use of POP systems and other retail technology has given store managers more autonomy, say many executives. "We try to use technology to help [our managers] make better decisions," said Tim McAlear, executive vp and chief operations officer of Pay Less Drug Stores NW. "Our managers have always had considerable autonomy, and now they're getting more information to help them make decisions [about merchandising, staffing, etc.]. We've also tried to educate our managers in financial controls, and it's made a big difference."

At Arbor Drugs in Michigan, the focus for managers is on customer service. They have discretion over the amount of inventory they receive, but pricing and buying are done through the central office. "It's tough enough to get one or two good buyers; how are you going to get 100 if you ask your managers to buy?" asks Max Ernst, Arbor's executive vp and chief operations officer. "The role of a manager is to take care of his people and make sure his customers are being served, and the more pressure we take off him, the better."

No consensus on vendor involvement at store level

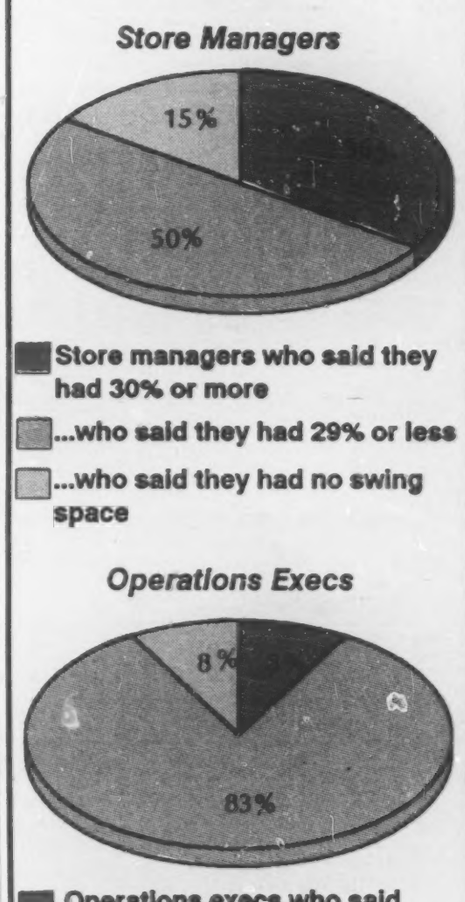
(Percentage of respondents)

Vendors play an active role in . . .	Percentage of store mgrs. reporting HQ encouragement	Percentage of store mgrs. who favor vendor role completely/somewhat
Supplying POP materials	46.2%	54.5%
Sampling	61.5	56.3
Reordering, replenishing shelf stock	46.2	38.5

Source: *Drug Store News* survey

Store managers have a limited amount of unplanogramed swing space

(Percentage of respondents reporting)


Store Managers
15%
50%
Store managers who said they had 30% or more
...who said they had 29% or less
...who said they had no swing space
Operations Execs
8%
83%
Operations execs who said managers had 30% or more
...who said managers had 29% or less
...who said managers had none

Source: *Drug Store News* survey

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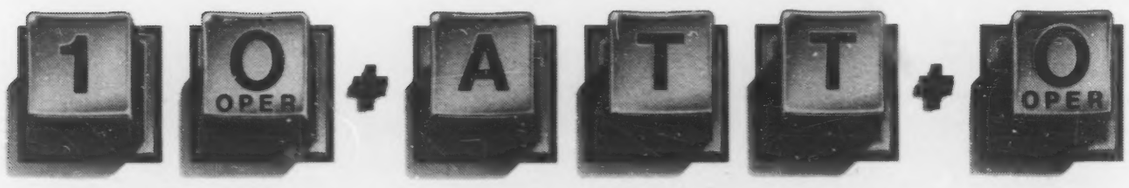

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FINANCIAL

Retail site fight cools off, Alex Grass tells analysts

Continued from page 3

that of 18 Lane Drugs stores in south-central New Jersey, which was completed Sept. 29 — off and on for about 15 years, Grass said, and was finally able to get the stores "for about $1.5 million less than we would have paid three-and-a-half years ago." As with the Peoples stores, located mainly in Ohio, the stores in the New Jersey acquisition were in "good shape" when acquired, he noted, and will require little remodeling.

Grass told the Retail Analysts Group at a meeting in the World Trade Center that the most serious impact on Rite Aid's earnings over the past two years has been from absorbing its acquisitions, including 533 stores in 1987 (Gray Drug Fair and SupeRx units), 39 Begley Co. stores in 1988 and 114 Peoples (formerly Lane Drug) stores, primarily in Ohio, this fiscal year. He said 470 acquired stores have been remodeled to date, at an average cost of $125,000 per unit.

He added that because the company has "stayed on top" of maintaining existing stores while holding to a rapid pace of acquired-store remodeling, "we are a leader in the industry" and that Rite Aid's remodeling schedule can now be slowed down.

Discussing second-quarter results, Grass noted that comparable-store sales were 8.1 percent at core stores and 3.5 percent at acquired stores, with the latter "strengthening each month." Martin Grass, president, added that by the fourth quarter of this fiscal year, stores acquired in 1987 should be contributing 6 percent on pretax, pre-interest operating margin, and by fourth quarter next year, should be contributing over 7 percent, with the former Begley and Peoples stores taking longer to reach those levels.

Rite Aid reported corporate revenues of $768.9 million for the second quarter ended Sept. 2, a 13.6-percent gain over the year-earlier $676.6 million. Net income rose 7 percent, to $20.3 million, from $18.9 million. Revenues in the drug store segment rose 13.7 percent, to $730.8 million, and net income increased to $18.5 million from $17.8 million in the comparable year-earlier period.

Alex Grass answered a question about the current generic drug controversy by saying Rite Aid had not seen a measurable dropoff in the use of generic drugs, which represent about 30 percent of prescriptions filled by Rite Aid pharmacists, and that any effects would be temporary. "The fact is, generics are much less expensive, and many third-party plans mandate the use of generics."

Bergen's fiscal '89 sees sales, earnings growth

ORANGE, Calif. — Bergen Brunswig Drug Corp.'s results for fiscal year 1989, ended Aug. 31, saw net earnings of $47.6 million, a 28-percent increase from last year, on $3.92 billion in revenues, a 13-percent increase. Fourth-quarter earnings were $10.7 million, a 13-percent increase from last year's period, with $997.8 million in revenues posted, an 11-percent increase over the wholesaler's figure for last year.

Cardinal's 2nd-qtr. net, sales post healthy gains

DUBLIN, Ohio — Cardinal Distribution's net earnings rose 53 percent and net sales 28 percent in the second quarter ended Sept. 30. Net earnings were $2.8 million on net sales of $210.2 million. For the year-earlier quarter, net earnings were $1.8 million on net sales of $164.4 million. Cardinal closed its smallest distribution center, in Albany, N.Y., in September, and transferred its volume to a new DC near Hartford, Conn.

Durr-Fillauer sees gains in net, revenue for 3rd qtr.

MONTGOMERY, Ala. — Durr-Fillauer Medical, Inc., the wholesaler based here, reported net income for the third quarter ended Sept. 30 of $3.8 million, up from $3.4 million reported last year. The gain came on revenues of $172.0 million, up from $148.3 million reported last year.

MARKET DIARY:

Largest Dollar Gainer	Baxter International	$ 0.38	Advances	4
Largest Dollar Loser	American Stores	$ – 8.38	Declines	53
Largest Percentage Gainer	Zenith Labs	43.69%	Unchanged	0
Largest Percentage Loser	Moore Medical	– 23.76%	New highs	4
			New lows	4

	Close 10/10/89	Close 10/24/89	Net Change	Percent Change
Drug Store News Index	3015.03	2867.13	– 147.90	– 4.91
Dow Jones Industrial Average	2785.33	2659.22	– 126.11	– 4.53
Standard & Poor's 500-Stock Index	359.13	343.70	– 15.43	– 4.30
N.Y.S.E. Composite	199.00	190.05	– 8.95	– 4.50
Value Line Index	278.24	288.81	10.57	3.80

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/10/89	Closing Price 10/24/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.75	18.75	– 3.00	– 13.79	23	0.16	0.85	24.75	8.00
OTC	Big B	BIGB	14.38	12.75	– 1.63	– 11.30	16	0.16	1.25	15.25	10.63
OTC	Drug Emporium	DEMP	12.63	10.63	– 2.00	– 15.84	18	0.05	0.47	16.38	6.38
NYS	Fay's Inc.	FAY	12.88	12.13	– 0.75	– 5.83	17	0.20	1.65	15.00	8.63
ASE	Genovese Drug	GDX.A	11.25	10.63	– 0.63	– 5.56	16	0.24	2.26	12.88	8.75
OTC	Leroy Pharmacies	LERY	4.63	4.50	– 0.13	– 2.70	—	0.00	0.00	5.50	4.38
NYS	Longs Drug Stores	LDG	44.75	41.88	– 2.88	– 6.42	16	0.96	2.29	46.00	33.63
OTC	Medicine Shoppe (H)	MSII	32.25	31.75	– 0.50	– 1.55	25	0.10	0.31	34.50	20.25
NYS	Perry Drug	PDS	9.88	8.63	– 1.25	– 12.66	247	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	40.88	38.88	– 2.00	– 4.89	18	0.82	2.11	41.13	29.13
NYS	Walgreen Co.	WAG	48.25	43.63	– 4.63	– 9.59	19	0.68	1.56	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services (L)	AAHS	22.75	18.75	– 4.00	– 17.58	16	0.00	0.00	30.38	18.25
ASE	Bergen Brunswig	BBC	26.88	26.00	– 0.88	– 3.26	15	0.32	1.23	27.25	15.70
OTC	Bindley Western Ind.	BIND	10.38	9.25	– 1.13	– 10.84	20	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution	CDIC	22.50	20.63	– 1.88	– 8.33	18	0.08	0.39	22.50	12.75
OTC	Durr-Fillauer	DUFM	22.25	19.63	– 2.63	– 11.80	22	0.24	1.22	23.25	15.38
ASE	Ketchum	KCH	4.63	4.50	– 0.13	– 2.70	d	0.00	0.00	7.63	4.38
NYS	McKesson Corp.	MCK	37.38	35.50	– 1.88	– 5.02	16	1.44	4.06	39.75	29.63
ASE	Moore Medical	MMD	12.63	9.63	– 3.00	– 23.76	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	11.88	11.38	– 0.50	– 4.21	19	0.26	2.29	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	68.13	67.00	– 1.13	– 1.65	19	1.40	2.09	68.50	44.13
NYS	American Home Products	AHP	106.63	103.88	– 2.75	– 2.58	16	3.90	3.75	107.25	76.38
NYS	Baxter International	BAX	23.38	23.75	0.38	1.60	17	0.56	2.36	24.38	16.25
OTC	Block Drugs Co.	BLOCA	37.00	36.50	– 0.50	– 1.35	14	0.64	1.75	38.50	30.25
ASE	Bolar Pharmaceutical (L)	BLR	19.50	15.00	– 4.50	– 23.08	12	0.04	0.27	32.25	14.13
NYS	Bristol-Myers Squibb (H)	BMY	54.50	52.25	– 2.25	– 4.13	18	2.00	3.83	55.00	41.38
NYS	Carter-Wallace (H)	CAR	56.63	56.50	– 0.13	– 0.22	18	0.82	1.45	57.25	38.13
ASE	Forest Labs	FRX	40.00	38.88	– 1.13	– 2.81	33	0.00	0.00	40.38	21.63
ASE	Halsey Drug	HDG	6.13	5.88	– 0.25	– 4.08	20	0.00	0.00	7.38	1.88
NYS	ICN Pharmaceutical (L)	ICN	6.00	5.38	– 0.63	– 10.42	67	0.00	0.00	7.25	5.38
ASE	Lee Pharmaceutical	LPH	3.00	2.88	– 0.13	– 4.17	d	0.00	0.00	5.38	2.75
ASE	Leiner P. Nutrition	PLI	20.63	20.00	– 0.63	– 3.03	17	0.00	0.00	21.38	10.00
NYS	Lilly Eli Co.	LLY	65.75	64.00	– 1.75	– 2.66	22	1.35	2.11	66.25	42.25
NYS	Marion Labs	MKC	34.63	33.75	– 0.88	– 2.53	24	0.36	1.07	36.50	16.75
NYS	Merck Co.	MRK	77.75	77.88	0.13	0.16	23	1.80	2.31	78.00	53.50
NYS	Mylan Labs	MYL	20.25	18.88	– 1.38	– 6.79	47	0.10	0.53	20.63	7.50
OTC	Newport Pharmaceutical	NWPH	4.44	4.06	– 0.38	– 8.45	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.50	5.63	0.13	2.27	10	0.04	0.71	12.50	3.88
NYS	Pfizer Inc.	PFE	68.63	67.50	– 1.13	– 1.64	16	2.20	3.26	70.75	54.00
NYS	Robins, A.H.	RAH	34.88	33.25	– 1.63	– 4.66	16	0.00	0.00	35.00	21.88
NYS	Rorer Group	ROR	44.50	41.75	– 2.75	– 6.18	22	0.80	1.92	48.25	36.13
NYS	Schering Plough	SGP	78.50	73.50	– 5.00	– 6.37	20	1.80	2.45	79.63	52.50
NYS	Syntex Corp.	SYN	47.25	44.00	– 3.25	– 6.88	18	1.50	3.41	54.50	36.50
NYS	Thiokol Inc.	TKC	15.25	13.88	– 1.38	– 9.02	17	0.30	2.16	125.00	12.38
NYS	Upjohn Co.	UPJ	39.38	37.88	– 1.50	– 3.81	20	1.00	2.64	42.13	27.00
NYS	Warner-Lambert	WLA	115.50	108.88	– 6.63	– 5.74	21	2.56	2.35	116.00	70.75
NYS	Zenith Labs	ZEN	0.44	0.63	0.19	42.69	d	0.00	0.00	2.75	0.38
Other retailer transactions											
NYS	Albertson's (H)	ABS	59.75	58.75	– 1.00	– 1.67	22	0.80	1.36	60.25	32.75
NYS	American Stores	ASC	64.63	56.25	– 8.38	– 12.96	28	1.00	1.78	72.50	51.50
NYS	Giant Food	GFS.A	30.88	28.88	– 2.00	– 6.48	18	0.50	1.73	36.25	21.00
NYS	K-Mart (L)	KM	38.50	34.63	– 3.88	– 10.06	10	1.64	4.74	44.88	33.50
NYS	Kroger	KR	18.50	16.88	– 1.63	– 8.78	d	0.00	0.00	19.75	8.25
NYS	Melville Corp.	MES	52.00	50.38	– 1.63	– 3.13	16	1.30	2.58	53.63	34.38
OTC	Fred Meyer	MEYR	21.63	19.50	– 2.13	– 9.83	16	0.00	0.00	23.00	14.25
NYS	Penney, JC	JCP	68.00	64.63	– 3.38	– 4.96	11	2.24	3.47	68.75	50.38
NYS	Smith's Food & Drug	SFD	24.63	21.88	– 2.75	– 11.17	23	0.20	0.91	25.00	20.50
NYS	Wal-Mart	WMT	43.75	43.00	– 0.75	– 1.71	27	0.22	0.51	44.00	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Note: Scherer R.P. Corp. was acquired by Shearson Lehman Hutton and has been removed from our list accordingly.
Source: Nordby International, Inc., Boulder, Colorado

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